

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Education  
State of Louisiana  
Baton Rouge, Louisiana

February 12, 2003



***Financial and Compliance Audit Division***

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**Albert J. Robinson, Jr., CPA**

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**DEPARTMENT OF EDUCATION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

Management Letter  
Dated January 10, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

February 12, 2003



OFFICE OF  
**LEGISLATIVE AUDITOR**  
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January 10, 2003

**DEPARTMENT OF EDUCATION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As part of the audit of the State of Louisiana's financial statements for the year ended June 30, 2002, we considered the state Department of Education's internal control over financial reporting and over compliance with requirements that would have a direct and material effect on a major federal program. We examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements, and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Department of Education is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the state Department of Education for the year ended June 30, 2001, we reported findings relating to ineffective controls over subrecipient monitoring, weaknesses in controls over student count audits, and improper charging of administrative expenditures to federal awards. The finding on weaknesses in controls over student count audits has been resolved by management. The findings relating to improper charging of administrative expenditures to federal awards and ineffective controls over subrecipient monitoring have not been resolved and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2002.

**Improper Charging of Administrative  
Expenditures to Federal Awards**

For the second consecutive year, the state Department of Education (SDE) does not have adequate procedures to ensure that direct costs charged to federal programs comply with federal regulations when administering the following programs:

- Child and Adult Care Food (CACFP) (CFDA 10.558)
- Summer Food Service Program for Children (SFS) (CFDA 10.559)

## LEGISLATIVE AUDITOR

### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

Management Letter, Dated January 10, 2003

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- State Administrative Expenses for Child Nutrition (SAE) (CFDA 10.560)
- Workforce Investment Act (WIA) (CFDA 17.255)
- Adult Education (AE) (CFDA 84.002)
- Title I Grants to Local Educational Agencies (Title II) (CFDA 84.010)
- Migrant Education State Grant (ME) (CFDA 84.011)
- Special Education Cluster (SEC) (CFDA 84.027/84.173)
- Vocational Education - Basic Grants to States (Voc ED) (CFDA 84.048)
- Special Education Grants for Infants and Families with Disabilities (SE) (CFDA 84.181)
- Safe and Drug-Free Schools and Communities State Grants (SDFS) (CFDA 84.186)
- State and Local Education Systemic Improvement Grants (SLESI Goals 2000) (CFDA 84.276)
- Eisenhower Professional Development Grants (EPD) (CFDA 84.281)
- Innovative Education Program Strategies (IEPS) (CFDA 84.298)
- Technology Literacy Challenge Fund (TLC) (CFDA 84.318)
- Comprehensive School Reform Demonstration (CSRD) (CFDA 84.332)
- Reading Excellence (RE) (CFDA 84.338)
- Temporary Assistance to Needy Families (TANF) (CFDA 93.558)

Office of Management and Budget (OMB) Circular A-87 states that costs are allowable if they are reasonable and necessary for the proper and efficient performance and administration of the program, are allocated to a particular program to the extent of the relative benefits received, and are appropriately documented. Indirect costs are defined as those costs incurred for common or joint purposes and benefit more than one cost objective. Also, charges for salaries and wages of employees who are expected to work solely on a single federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semiannually and should

## LEGISLATIVE AUDITOR

### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

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be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Based on audit tests, administrative expenditures totaling \$610,219 were not properly charged to federal programs and these amounts are questioned costs as follows:

1. Expenditures totaling \$72,200 were charged to programs other than the actual program affected.
  - A professional service contract totaling \$12,500 for a state mandated program was charged to Title I.
  - Professional development training for various department employees and local school district employees totaling \$57,000 was charged to Title I, SEC, and EPD grants; however, we were informed that this training was provided as a supplement to the Louisiana Teacher Assistance and Assessment Program, a state mandated program. These costs appear to meet the criteria for indirect, not direct, costs.
  - Drug tests totaling \$2,700 mandated by state law were charged to CACFP, SFS, SAE, WIA, AE, Title I, ME, SEC, Voc ED, SE, SDFS, Goals 2000 SLESI, EPD, IEPS, TLC, CSRD, RE, and TANF. These costs appear to meet the criteria for indirect, not direct, costs.
2. Expenditures totaling \$538,019 lacked the detailed documentation necessary to make a determination of allowability for the costs charged to Title I, SEC, EPD, SE, SDFS, SAE, CSRD, AE, and WIA.
  - Travel, supplies, operating services, and equipment totaling \$167,077 were paid based solely on request forms from SDE regional offices.
  - Six computers were purchased for six employees who work on federal programs and state activities. The costs for the computers, \$9,906, were allocated to four federal programs--Title I, SEC, EPD, and SDFS; however; one of the six employees worked on other federal programs and another employee worked on state activities. The costs of computers for these two employees, \$3,302, are known questioned costs. Because support for the transaction did not identify which computer was charged to each of the four programs, we were unable to

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### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

Management Letter, Dated January 10, 2003

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determine the questioned costs by program, and the remaining cost, \$6,604, is considered likely questioned cost.

- Salaries and related benefits totaling \$60,507 for five employees were charged to Title I; however, there were no semiannual certifications from these employees to support the costs charged to these programs.
- Salaries and related benefits totaling \$300,529 for 11 employees were charged to Title I, SEC, AE, and WIA although the certifications signed by the employees indicated that they worked on other federal or state programs.

Failure to ensure that payment documentation supports the allocation of costs increases the risk that expenditures could be improperly charged to federal programs.

The SDE should implement procedures to ensure that federal costs are properly allocated. This includes a more detailed review of supporting documentation and maintaining the required employee certifications in the payroll section. The payroll section should report any changes in certifications to the budget and accounting sections. The SDE should consult with the U.S. Department of Education regarding the resolution of the questioned costs noted in this finding as well as the allowability of any related indirect costs claimed. Management concurred in part with the finding and recommendation. Management concurred that expenditures lacked detailed documentation. Management did not concur that expenditures were charged to programs other than the actual programs affected but accepted the recommendation to refer the resolution of the questioned costs to the U.S. Department of Education (see Appendix A, pages 1-3).

#### **Ineffective Controls Over Subrecipient Monitoring**

For the second consecutive year, the SDE does not have adequate internal control to monitor subrecipients for compliance with program requirements of the following federal programs:

- Child and Adult Care Food Program (CACFP) (CFDA 10.558)
- Adult Education State Grant Program (AE) (CFDA 84.002)
- Title I Grants to Local Education Agencies (CFDA 84.010)
- Special Education Cluster (SEC) (CFDA 84.027/84.173)

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### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

Management Letter, Dated January 10, 2003

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- Class Size Reduction (CSR) (CFDA 84.340)
- Temporary Assistance for Needy Families (TANF) (CFDA 93.558)

OMB Circular A-133 requires the pass-through entity to monitor subrecipients for compliance with applicable federal laws and regulations. OMB Circular A-133 also requires the pass-through entity to (1) obtain single audits of subrecipients within nine months after an audit period ends; (2) ensure the code of federal domestic assistance (CFDA) number and program name are correct; (3) issue a management decision on audit report findings; (4) ensure that the subrecipient takes corrective action; and (5) consider any effects the audit may have on the entity's own records. The management decision should clearly state whether the finding is sustained, the reasons for the decision, and the expected actions including repayment of related disallowed costs, as well as financial adjustments needed, if any.

In a review of the SDE's subrecipient monitoring function, audit tests disclosed the following deficiencies:

1. SDE management did not ensure that external certified public accountant (CPA) audits were submitted to the department within nine months after the audit period ended and did not ensure that the audits contained the proper CFDA numbers and program titles. Three (6%) of 47 audits tested were received by the SDE from two weeks to four months late, and five (10%) audits did not include CFDA numbers, program titles, or schedule of federal expenditures.
2. No written management decisions were issued by the SDE on audit findings included in the external CPA audit reports of three (23%) of 13 subrecipients tested. Also, no evidence existed that the SDE followed up on the external audit findings of four (30%) subrecipients to ensure that the subrecipients took corrective action. No evidence was available to document that the SDE determined whether any costs related to the noncompliance should be recovered or if any financial adjustments were needed. Also, the SDE did not resolve audit findings for two (15%) subrecipients where questioned costs totaling \$474,530 were identified, including \$416,530 in the CSR program and \$58,000 in the Title I program. These costs are considered known questioned costs.
3. For 51 (85%) of 61 SDE onsite monitoring reports tested, no evidence existed that SDE program personnel reviewed transactions to determine if costs charged to federal programs were allowable. Also, no evidence was available to document that the SDE followed up on monitoring findings for six (9%) subrecipients to ensure that the subrecipients took



## LEGISLATIVE AUDITOR

### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

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corrective action. Onsite monitoring findings related to Title I, SEC, CSR, TANF, and Adult Education programs that may have a financial impact on the department included payroll charges improperly charged, incomplete or inadequate grant applications, noncompliance with comparability requirements, and incomplete financial databases.

4. The SDE's Division of Education Finance (DEF) "fiscal reviews" of subrecipients for allowed/unallowed activities or costs are limited in number and are not performed in a timely manner. One Title I review begun in January 2001 has not been completed. No new reviews of the SEC or Title I programs were started in fiscal year 2002.
5. The SDE has neither ensured that subrecipients took corrective action nor sought reimbursement from subrecipients for \$11,006 in Title I and \$1,856 in Child Care and Development Block Grant (CFDA 93.575) costs that were questioned in the 2001 Single Audit.

Based on discussions with staff, SDE personnel are unaware of their specific monitoring responsibilities. Although the department did develop written policies and procedures outlining the subrecipient monitoring function, the policies and procedures had not been approved or implemented as of June 30, 2002.

The SDE's failure to adequately monitor subrecipients impairs the department's evaluation of the impact of subrecipient activities on its own ability to comply with laws and regulations applicable to the programs. Specifically, this has resulted in known questioned costs totaling \$416,530 in the CSR program and \$58,000 in the Title I program. Costs incurred by a subrecipient that have not been appropriately monitored by the pass-through entity may be treated as unallowable costs. Therefore, if controls are not strengthened and the department does not comply with the federal compliance requirement of subrecipient monitoring, the department may be subject to the questioning of all federal funds passed through to subrecipients. During the 2002 fiscal year, the SDE passed through a total of \$380,293,921 in federal funds through Title I (\$193,775,360); SEC (\$88,685,905); CACFP (\$43,243,357); CSR (\$31,038,927); TANF (\$16,089,421); and Adult Education State Grant Program (\$7,460,951).

The SDE should further develop and implement comprehensive written policies and procedures for subrecipient monitoring that are centrally managed to ensure compliance with all of its programs' requirements. In addition, the various divisions should be made aware of their responsibilities. Questioned costs noted should be resolved with the U.S. Department of Education. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 4-6).

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### DEPARTMENT OF EDUCATION STATE OF LOUISIANA

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#### **Inadequate Controls Over Title I Program**

The SDE did not establish control procedures to ensure compliance with certain federal laws and regulations for the Title I Grants to Local Educational Agencies (LEA) (CFDA 84.010) program related to participation of private school children and comparability. Compliance requirements in OMB Circular A-133 Compliance Supplement, Part 4, U.S. Department of Education Cross-Cutting Section (84.000) N. Special Tests and Provisions indicate the following:

1. **Participation of Private School Children** - An LEA receiving financial assistance under Title I must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits. Before making a decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the LEA must engage in timely and meaningful consultation with private school officials.
2. **Comparability** - An LEA may receive funds under Title I, Part A, only if state and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A. If all schools are served by Title I, Part A, an LEA must use state and local funds to provide services that, taken as a whole, are substantially comparable in each school. The State Educational Agency, in this case the SDE, is ultimately responsible for monitoring the LEAs to ensure they remain in compliance with the comparability requirements.

Although the SDE has established procedures to review compliance requirements at the LEA level through onsite monitoring visits, there was no evidence that the SDE conducted onsite visits of the LEAs during fiscal year 2002 to determine compliance with the above requirements. Without onsite visits, the SDE has no assurance that the LEAs are complying with Title I program requirements. Failure to monitor compliance with federal laws and regulations at the LEA level may result in the flow through of program funds to ineligible schools which may result in disallowed costs at the SDE level. The SDE did not place significant emphasis on adherence to established monitoring procedures.

Management should ensure that LEAs are reviewed regularly for compliance with the special tests and provisions requirements of the Title I program. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 7).

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DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA

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The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the department and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

AOE:BMcC:PEP:ss

[DOE02]

## Appendix A

### Management's Corrective Action Plans and Responses to the Findings and Recommendations



*STATE OF LOUISIANA*  
**DEPARTMENT OF EDUCATION**  
*POST OFFICE BOX 94064, BATON ROUGE, LOUISIANA 70804-9064*  
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1-800-453-2721

December 9, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Louisiana State Department of Education (SDE) partially concurs with the finding entitled **Improper Charging of Administrative Expenditures to Federal Awards**. Regarding this finding, the SDE has taken the following steps to correct or address the areas noted:

1. The SDE does not concur that expenditures totaling \$72,200 were charged to programs other than the actual programs affected.
  - The questioned cost of \$12,500 was incurred to evaluate the current Louisiana Teacher Assistance and Assessment Program (LATAAP) and the proposed work sample (now portfolio) to determine whether they would be in alignment with the requirements of the new No Child Left Behind federal law (NCLB). Although LATAAP is a state-mandated program, the purpose of the contract was for evaluation of the existing LATAAP with pilot and expansion of it to align with NCLB, and as such, federal funds were allowable for this purpose. The contract should, however, have been prorated between Titles 1 and 2 rather than being charged solely to Title 1. The LDE will make the necessary journal vouchers to correct this.
  - Professional development training was provided for various SDE employees and local school district employees, totaling \$57,000. The FirstTech Program is provided to local school districts on a competitive basis as a supplement to the LATAAP. As a supplemental program to the state-mandated program, the SDE believes this training was appropriately charged to these funding sources.

The SDE accepts the recommendation by the Legislative Auditor to refer the resolution of questioned costs to the U.S. Department of Education. The individual responsible for referral to the U.S.

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Department of Education for resolution of the above is Dr. Robyn Jarvis, Director, Division of Professional Development.

- The SDE believes the \$2,700 in questioned costs for drug test charges to be direct costs of employment, in the same manner as group insurance and retirement benefits. In accordance with OMB Circular A-87, these costs are allocated consistently to all programs regardless of fund source. The cost would not be charged to the federal program if the program did not exist or the individual working on the federal program was not hired. Additionally, drug screening prior to employment assists the SDE to comply with the federally required Drug Free Workplace Certification. The SDE accepts the recommendation by the Legislative Auditor to refer the resolution of questioned costs to the respective granting agencies. The individual responsible for referral to granting agencies is Mrs. Kitty Littlejohn, Director, Division of Appropriation Control.
2. The SDE concurs that expenditures totaling \$538,109 lacked the detailed documentation necessary to make a determination of allowability for the costs charged to Title I, EPD, SE, SDFS, SAE, SCRD, AE, and WIA.

- The Regional Education Service Center (RESC) directors are required to adhere to all rules and regulations of the State Board of Elementary and Secondary Education and the State Department of Education including any guidelines for expenditures of federal funds. By their signatures, the RESC director certifies the accuracy of a requisition and that they are abiding by the federal and state guidelines for the fund source they are using. The fiscal agent then reviews and approves all purchase requests made by the RESC director, pays appropriate invoices for expenditures, and then bills the SDE for the reimbursement of those funds.

The SDE will explore other avenues to provide additional supporting documentation, and perform an additional review of all expenditures underlying the \$167,077 in questioned costs for validity of charges against federal programs. The individual responsible for resolution is Mrs. Ann Faulkner, Director, Regional Education Service Centers.

- During the relocation of the SDE to the new Claiborne Building, six computers, valued at \$9,906 in questioned costs, were assigned in error to non-federal staff. These computers will be relocated to the appropriate federally funded employees. The individual responsible for corrective action is Mrs. Kitty Littlejohn, Director, Division of Appropriation Control.

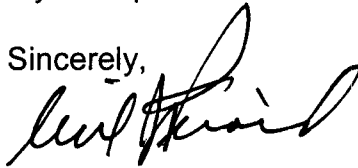
December 9, 2002

- Semi-annual certification forms were not submitted by five (5) personnel who resigned employment, resulting in questioned costs of \$60,507. The SDE has revised the Exit Interview process for terminating employees to include collection of the form by the Human Resource Department. Interviews will be performed with applicable supervisors and affidavits secured to validate actual time worked against the Title I Program. The affidavits will be retained on file to certify the time charged to federal programs for the five (5) employees noted. The individual responsible for corrective action is Mrs. Kim Fitch, Director, Division of Human Resources.
- The SDE has implemented extensive A-87 time certification procedures for both employees and supervisors, which were adopted as policy and implemented in FY 2001. These policies and procedures have been recognized by independent legal review as A-87 compliant. The SDE will re-validate actual time worked and time certification with 11 noted employees and supervisors. The SDE believes this is a result of individual employee error in completing the forms for A-87 time certification requirements. Financial adjustments will be made to individual grants as required. The individual responsible for corrective action is Mrs. Kitty Littlejohn, Director, Division of Appropriation Control.

The SDE will consult with the U.S. Department of Education regarding all of the above questioned costs. It is anticipated that implementation of the actions noted above will eliminate future audit findings in these areas. All corrective action within the control of the SDE should be completed by March 31, 2003.

If you require additional information, please contact me.

Sincerely,



Cecil J. Picard  
State Superintendent of Education

CJP/MJL

c: Carole Butler-Wallin  
Marlyn J. Langley  
John Guilbeau



**STATE OF LOUISIANA**  
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December 20, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding entitled **Ineffective Controls Over Subrecipient Monitoring**. The SDE has taken the following steps to correct or address the areas noted:

1. The SDE concurs that management did not ensure external CPA audits were submitted to the department within nine months after the audit period ended and did not ensure that the audits contained the proper CFDA numbers and program titles. Three (6%) of 47 audits tested were received by SDE from 2 weeks to 4 months late, and 5 (10%) audits did not include CFDA numbers, program titles, or schedule of federal expenditures.
  - Previously, if an audit was received late, a formal letter was not always issued. The Division of Nutrition Assistance (DNA) will issue letters of notice to all USDA Child Nutrition Program participants required to submit audits under OMB Circular A-133 where audits have not been received by the regulatory due date. In addition, the DNA will ensure all participants and auditors are aware of their responsibilities related to the schedule of federal expenditures required by OMB Circular A-133. The individual responsible for corrective action is Mr. John Dupre, Director, Division of Nutrition Assistance.
2. The SDE concurs that written management decisions were not issued by the SDE on audit findings included in the external CPA audit reports by June 30, 2002. Questioned costs are \$474,530, (\$416,530 in the CSR program and \$58,000 in the Title 1 program).
  - Even though completion of written management decisions had not occurred by June 30, 2002, subrecipient monitoring activities have occurred and are ongoing. At this writing, follow-up and final resolution activities have either been initiated or achieved with final management decision notification to the subrecipients. Where applicable, questioned costs will be recovered from subrecipients. Documentation of follow-up and resolution will be provided to the Legislative Auditor. The individuals responsible for corrective action are Mr. J. P. Beaudoin, Director, Division of School Accountability, Ms. Robyn Jarvis, Director, Division of Professional Development, and Mrs. Debi Faucette, Director, Division of Family, Career, and Technical Education.

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3. The SDE concurs that SDE program personnel did not review individual financial transactions for subrecipients or follow-up on SDE monitoring findings for six (6) subrecipients for Title I, CSR, TANF, and Adult Education.
  - Although the monitoring files contain no specific fiscal monitoring documentation, all program staff members discuss staffing, program duties and procedures with parish program staff to determine if funds are being used in an appropriate way. Nonetheless, we concur with the auditor's finding that no SDE-documented fiscal monitoring occurred in the program review process. Beginning with FY 2003, program staff will conduct a review of a sampling of fiscal records in each site monitored and will document same in the review file. The individuals responsible for corrective action are Ms. Donna Nola-Ganey, Assistant Superintendent, Office of School and Community Support, Mr. Rodney Watson, Assistant Superintendent, Office of Student and School Performance, and Dr. Carol Whelan, Assistant Superintendent, Office of Quality Educators.
4. The SDE concurs the Division of Education and Finance "fiscal reviews" of subrecipients for allowed/unallowed activities or costs are limited in number and are not performed in a timely manner.
  - A risk assessment model for selecting subrecipients for financial compliance monitoring was developed this past year. However, due to a limited number of staff employed throughout this fiscal year, the ability of the Division to conduct new audits for any programs was hampered. Available staff resources were dedicated to finalize outstanding audits and, at the special request of the Title 1 Grant Administrator, to conduct financial compliance monitoring for the St. Helena Title 1 program for the five (5) preceding fiscal years. Numerous attempts were made throughout the fiscal year to hire skilled individuals for vacant Auditor positions. All attempts thus far in recruiting were unsuccessful due to a limited number of applicants and/or applicants being unwilling to travel, as the position requires. As a result of facing these obstacles, the Division will begin exploring other possibilities in getting the work completed in addition to continuing the recruitment process. The individual responsible for corrective action is Mrs. Beth Scioneaux, Director, Division of Education Finance.
5. The SDE concurs that corrective action and/or reimbursement for questioned costs in the 2001 Single Audit has not been sought from subrecipients for \$11,006 in Title I and \$1,856 in Child Care and Development Block Grant (CFDA 93.575).
  - Staff responsible for these activities at both the SDE and subrecipient levels are no longer employed in their respective offices. Control logs for tracking of subrecipient follow-up actions required have been instituted. Additionally, subrecipient monitoring is now being performed on a consolidated or multi-

Dr. Daniel G. Kyle, CPA, CFE  
December 20, 2002  
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program basis ensuring deficiencies that are applicable to multiple programs are addressed and resolved.

Resolution is currently underway and recovery of subrecipient questioned costs will occur as applicable. The individuals responsible for corrective action are Mr. J. P. Beaudoin, Director, Division of School Accountability, and Mr. Scott Norton, Director, Division of Student Standards and Assessments.

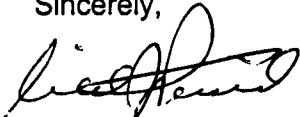
Recognizing the responsibility for subrecipient monitoring and oversight, the SDE developed, adopted as policy, and began implementation of comprehensive Grants Management Policies and Procedures. These policies formalize the identification and delineation of responsibilities for all grant management functions for programmatic and fiscal areas. This development was begun immediately upon the release of the 2001 Legislative Audit, with the draft completed in May 2002, and adopted as official policy with dissemination to all personnel in October 2002. A copy has been provided to the Legislative Auditor.

Additionally, the SDE has initiated new processes for resolution and/or recovery of questioned costs with subrecipients through the Cooperative Audit Resolution and Oversight Initiative (CAROI). This has been done with the encouragement and assistance of the U.S. Department of Education. Focus of this initiative is placed upon offering of a negotiated settlement that is meant to benefit the subrecipient program and achieve remediation of the entity. One of the cited instances is currently under CAROI settlement.

The SDE will consult with granting agencies regarding resolution of the above questioned costs. It is anticipated that implementation of the actions noted above will eliminate future audit findings in these areas. All corrective action within the control of the SDE should be completed by March 31, 2003.

If you require additional information, please contact me.

Sincerely,



Cecil J. Picard  
State Superintendent of Education

CJP/MJL

c: Carole Butler-Wallin  
Marlyn J. Langley  
John Guilbeau



**STATE OF LOUISIANA**  
**DEPARTMENT OF EDUCATION**  
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January 6, 2003

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education (SDE) concurs with the finding associated with not establishing control procedures to ensure compliance with certain federal laws and regulations for the Title I Grants to Local Educational Agencies (LEAs) program related to participation of private school children and comparability.

Management will ensure that LEAs are reviewed regularly for compliance with the special tests and provisions requirement of the Title I program. LEA staff, through workshops and correspondence, will be instructed on the requirements of the law that require them to engage in timely and meaningful consultation with private school officials prior to the submission of the their Title I grant. In addition, the SDE will monitor the LEAs during onsite visits to ensure that they remain in compliance with the comparability requirements.

You may contact Rodney Watson at (225) 342-3355 should you have any follow-up questions concerning this response, or contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Cecil J. Picard", is written over a horizontal line.

Cecil J. Picard  
State Superintendent of Education

CJP:JJG:dpw

c: Carole Wallin  
Marlyn Langley  
John Guilbeau

*"An Equal Opportunity Employer"*